

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
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FM AMCONSUL HONG KONG
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TAGS: ECON, CH
SUBJ: CAPITAL CONSTRUCTION IN 1976 SHOWS LIMITED ACHIEVEMENTS

SUMMARY: DESPITE THE POLITICAL, SOCIAL AND NATURAL
DISRUPTIONS WHICH OCCURRED IN CHINA DURING 1976, SOME
LARGE CAPITAL CONSTRUCTION PROJECTS WERE CARRIED OUT,
PARTICULARLY IN AGRICULTURE SUPPORT INDUSTRIES AND THE
FUELS AND ENERGY SECTORS. NO COMPARATIVE SECTORAL
CAPACITY INCREASE CLAIMS HAVE AS YET APPEARED EXCEPT IN
THE COAL INDUSTRY. SOME SIGNS OF CENTRAL GOVERNMENT
RETRENCHMENT ARE EVIDENT IN STATEMENTS ADVOCATING THAT KEY
PROJECTS BE GIVEN PRIORITY AND RESOURCE ALLOCATION BE
CAREFULLY MONITORED. END SUMMARY.

1. A JAN 3 NCNA BROADCAST HIGHLIGHTED KEY 1976 CAPITAL
CONSTRUCTION PROJECTS IN MANY INDUSTRIES THAT THE CHINESE
OSTENSIBLY CONSIDER TO HAVE PRIORITY. COMPLETED PROJECTS
ADDING NEW CAPACITY WERE CITED FOR THE FOLLOWING
INDUSTRIES (IN NCNA'S RANK ORDER):

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(A) AGRICULTURE-SUPPORT,
(B) FUELS AND ENERGY,
(C) TRANSPORTATION AND COMMUNICATIONS,
(D) LIGHT INDUSTRY, AND
(E) URBAN CONSTRUCTION.

ALTHOUGH THE REPORT SHOULD NOT BE CONSIDERED COMPREHEN-
SIVE, THE IRON AND STEEL INDUSTRY IS CONSPICUOUS BY ITS

ABSENCE. (VERY LITTLE HAS BEEN REPORTED ON ANY ASPECT OF THIS INDUSTRY DURING 1976, USUALLY A SIGN OF LACK OF PROGRESS.)

2. NCNA CLAIMED THAT THE PRODUCTIVE CAPACITY OF THE MORE THAN 50 NEW COAL SHAFTS COMPLETED IN 1976 EXCEEDED THE AVERAGE INCREASE EVERY YEAR DURING THE FOURTH FIVE YEAR PLAN (1971-75). THIS WOULD INDICATE ADDITIONAL CAPACITY IN EXCESS OF 12 MMT, LAST YEAR'S ESTIMATED INCREASE, WHICH IS THE LARGEST GAIN WE RECORDED DURING THE 1971-75 PERIOD. CONSTRUCTION PROGRESS SEEMED STABLE THROUGHOUT THE YEAR--32 NEW MINES WERE REPORTED OPEN BY AUGUST AND 43 BY SEPTEMBER.

3. NEW INFORMATION REVEALED BY NCNA ON THE PETROLEUM FRONT INCLUDED: THE NEW "NORTH CHINA OILFIELD," WHICH IS PROBABLY IN HOPEI, WAS " IN THE MAIN COMPLETED" WITHIN A YEAR'S TIME; THE STATE ANNUAL QUOTA FOR CRUDE OIL PROCESSING WAS FULFILLED ONE MONTH AHEAD OF SCHEDULE, THE THREE HUANGTAO OIL TERMINAL TANKER BERTHS HAVE A COMBINED ANNUAL LOADING AND UNLOADING CAPACITY OF 10 MMT; AND THE "OIL SUPPLYING INSTALLATION" AT CHINHUANGTAO IS CAPABLE OF HANDLING 300,000 TONS YEARLY. IN A JAN 5 REPORT, NCNA CLAIMED TACHING'S CAPITAL CONSTRUCTION HIT A NEW HIGH, SHENGLI OPENED UP NEW PRODUCTION ZONES AND NATURAL GAS PRODUCTION CAPACITY INCREASED AT "RECORD SPEED."

4. IN POWER GENERATION, THE SECOND 300,000 KW GENERATING LIMITED OFFICIAL USE

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UNIT (THE LARGEST TYPE AS YET MADE IN THE PRC) WAS PUT INTO OPERATION IN THE WANGTING POWER PLANT NEAR SHANGHAI. NCNA HAS ALSO CLAIMED ON DEC 31 THAT CHINA PRODUCED MORE ELECTRICITY IN 1976 THAN IN 1975, STATING THAT A "LARGE NUMBER " OF NEW POWER PLANTS HAD BEEN PUT INTO OPERATION.

5. NCNA MADE NO OVERALL CLAIM FOR CAPITAL CONSTRUCTION INVESTMENT IN 1976 (THE LAST SUCH CLAIM, AN INCREASE OF 20 PERCENT, COVERED THE FIRST 10 MONTHS OF 1975) AND EXCEPT FOR COAL, NO COMPARATIVE SECTORAL CAPACITY INCREASES WERE CLAIMED. AFTER THE FALL OF THE "GANG OF FOUR" IN OCTOBER, THE MEDIA BEGAN TO EMPHASIZE A SELECTIVE, PRIORITY APPROACH IN CAPITAL CONSTRUCTION. FRUGALITY, COST CONSCIOUSNESS, AND CONSERVATION OF RESOURCES HAVE BEEN THE KEY WORDS, IMPLYING THAT CONSTRUCTION WAS NOT TO BE CARRIED OUT SIMPLY TO MEET OUTPUT QUOTAS, AND THAT SOME RETRENCHMENT IS LIKELY TAKING PLACE. THIS TONE OF MODERATION IS SUPPORTED BY THE JAN 3 NCNA SUMMATION, WHICH STATES

THAT "CAPITAL CONSTRUCTION IN 1976 WAS CARRIED OUT . . .
TAKING CONSIDERATION OF THE SITUATION OF THE COUNTRY AS A WHOLE
AND GIVING PRIORITY TO THE KEY PROJECTS."

6. COMMENT: IN SUM, WHILE THE NCNA WRAPUP PLACES
A SUPERFICIAL GLOSS OF HIGH ACHIEVEMENT OVER CHINA'S
CAPITAL CONSTRUCTION EFFORTS, THE INCOMPLETENESS
OF THE REPORT--THE RELATIVE ABSENCE OF MEANINGFUL
NATIONAL OR SECTORAL STATISTICS--DETRACTS FROM
ITS OVERALL IMPACT. THE SOBER TONE OF THE MESSAGE
IS IN ACCORD WITH PROVINCIAL REPORTS THAT POINT TO
A TIGHTENING UP OF CENTRAL CONTROL OVER CONSTRUCTION
AS WELL AS A GREATER DEGREE OF FINANCIAL STRINGENCY.
CROSS

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